

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name TOWNSHIP OF ONONDAGA	County INGHAM
Audit Date JUNE 30, 2005	Opinion Date SEPTEMBER 29, 2005	Date Accountant Report Submitted to State OCTOBER 14, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Karl L. Drake, CPA			
Street Address 3775 Kimmel Road	City Horton	State MI	Zip 49246
Accountant Signature 			

**TOWNSHIP  
OF  
ONONDAGA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2005**

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**INDEPENDENT AUDITOR'S REPORT**

Township Board  
Township of Onondaga  
Ingham County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Onondaga, as of and for the year ended June 30, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Onondaga's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Onondaga as of June 30, 2005, and the respective changes in financial position, thereof for the year then ended in conformity with United States generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2005, on our consideration of the Township of Onondaga's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grants.

Township Board  
Township of Onondaga

The administration's discussion and analysis and budgetary comparison information on pages 3 through 8 and page 23 are not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Onondaga's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.



Karl L. Drake, P.C.  
Certified Public Accountant

September 29, 2005

This section of the Township of Onondaga's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended June 30, 2005. It is best read in conjunction with the Township's financial statements that follow this section.

### Using This Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Township of Onondaga financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the entire Township, presenting both an aggregate view of the Township's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant fund - the General Fund - with all other funds presented in one column as non-major funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the Township acts solely as an agent for the benefit of others.

Management's Discussion and Analysis (MD&A)  
(Required Supplemental Information)

#### Basic Financial Statements

*Government-wide Financial Statements*

*Fund Financial Statements*

Notes to the Basic Financial Statements

*(Required Supplemental Information)*

Budgetary Information for the General Fund

Other Supplemental Information

### Reporting The Township As A Whole - Government-Wide Financial Statements

One of the most important questions asked about the Township is, "As a whole, what is the Township's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the Township's financial statements, report information on the Township as a whole and its activities in a way that helps you answer this question. These statements are prepared to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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These two statements report the Township's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the Township's financial health or financial position. Over time, increases or decreases in the Township's net assets - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Township's operating results. However, the Township's goal is to provide services to our residents, not to generate profits as commercial entities do. One must consider many other non-financial factors to assess the overall health of the Township.

The statement of net assets and statement of activities report the governmental activities for the Township, which encompass all of the Township's services, including general government public safety, roads, and community enrichment. Property taxes and State Revenue Sharing finance most of these activities.

### **Reporting The Township's Most Significant Funds - Fund Financial Statements**

The Township's fund financial statements provide detailed information about the most significant funds - not the Township as a whole. Some funds are required to be established by State law and by bond covenants. However, the Township establishes funds as needed to help it control and manage money for particular purposes or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money. The governmental funds of the Township use the following accounting approach:

Governmental funds - All of the Township's services are reported in governmental funds. Governmental fund reporting focuses on showing money inflows and outflow and the balances remaining at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Township and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

**Reporting The Township's Fiduciary Responsibilities -The Township As Trustee**

The Township is the trustee, or fiduciary, for its tax collection and agency funds. All of the Township's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the Township's other financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**The Township As A Whole**

Recall that the statement of net assets provides the perspective of the Township as a whole. Table I provides a summary of the Township's net assets as of June 30, 2005:

TABLE I	Governmental Activities (In Thousands)
<b>ASSETS</b>	
Current and other assets	\$ 501.9
Capital assets - Net of accumulated depreciation	<u>380.5</u>
<b>TOTAL ASSETS</b>	<u>882.4</u>
<b>LIABILITIES</b>	
Current liabilities	0.0
Long-term liabilities	<u>0.0</u>
<b>TOTAL LIABILITIES</b>	<u>0.0</u>
<b>NET ASSETS</b>	
Invested in property and equipment - Net of related debt	380.5
Restricted	0.0
Unrestricted	<u>501.9</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 882.4</u>



The above analysis focuses on the net assets (see Table I). The change in net assets (see Table 2) of the Township's governmental activities is discussed below. Township's net assets were \$882.4 thousand at June 30, 2005. Capital assets, net of related debt totaling \$380.5 thousand compares the original cost, less depreciation of the Township's capital assets to long-term debt, including accrued interest on capital appreciation bonds, used to finance the acquisition of those assets. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the Township's ability to use those net assets for day-to-day operations. The remaining amount of net assets (\$501.9 thousand) was unrestricted.

The \$501.9 thousand in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Township as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for fiscal years 2005 and 2004.

TABLE 2	Governmental Activities	
	(In Thousands)	
REVENUE	2005	2004
Program Revenue		
Charges for services	\$ 22.8	\$ 30.9
Grants and categoricals	0.0	0.0
General Revenue		
Property taxes	90.4	85.8
State Shared Revenue	203.6	214.6
Other	19.7	17.7
<b>TOTAL REVENUE</b>	<b>\$ 336.5</b>	<b>\$ 349.0</b>

<b>FUNCTION/PROGRAM EXPENSES</b>	<b>(In Thousands)</b>	
	<b>2005</b>	<b>2004</b>
General Government	\$ 137.5	\$ 147.1
Public Safety	88.9	103.4
Roads	16.9	36.2
Community Enrichment	0.8	0.7
Depreciation (unallocated)	33.8	31.4
<b>TOTAL FUNCTION/PROGRAM EXPENSES</b>	<b>277.9</b>	<b>318.8</b>
<b>INCREASE IN NET ASSETS</b>	<b>\$ 58.6</b>	<b>\$ 30.2</b>

As reported in the statement of activities, the cost of all of our governmental activities this year was \$277.9 thousand. Certain activities were partially funded from those who benefited from the programs (\$22.8 thousand) or by other governments and organizations that subsidized certain programs with grants and categoricals (\$0.0 thousand). We paid for the remaining "public benefit" portion of our governmental activities with \$90.4 thousand in taxes, \$203.6 thousand in State Revenue Sharing, and with our other revenues, such as interest and general entitlements.

The Township experienced an increase in net assets of \$58.6 thousand. The key reason for the change in net assets was capitalizable expenditures. The increase in net assets differs from the change in fund balance and a reconciliation appears on page 13.

As discussed above, the net cost shows the financial burden that was placed on the State and the Township's taxpayers by each of these functions. Since property taxes for operations and State Revenue Sharing constitute the vast majority of the Township's operating revenue sources, the Township Board must annually evaluate the needs of the Township and balance those needs with State-prescribed available unrestricted resources.

### **The Township's Funds**

As we noted earlier, the Township uses funds to help it control and manage money for certain purposes. Looking at funds helps the reader consider whether the Township is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Township's overall financial health.

As the Township completed this year, the governmental funds reported a combined fund balance of \$501.9 thousand, which is an increase of \$37.6 thousand from last year. The primary reasons for the increase are controlling expenditures. The General Fund, our principal operating fund, saw the fund balance increase \$37,583 to \$501,909, which is greater than the budgeted decrease of \$-77,726.

### **General Fund Budgetary Highlights**

Over the course of the year, the Township amends its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Township's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

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## Capital Asset And Debt Administration

### Capital Asset

At June 30, 2005, the Township had \$380 thousand invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a net increase (including additions and disposals) of approximately \$21,062 or 1 percent, from last year.

	<u>2005</u>	<u>2004</u>
Buildings	\$ 172,420	\$ 131,800
Improvements	27,825	27,825
Vehicles	429,700	429,700
Equipment	<u>136,050</u>	<u>121,800</u>
Total Capital Assets	<u>765,995</u>	<u>711,125</u>
Less Accumulated Depreciation	<u>385,483</u>	<u>351,675</u>
Net Capital Assets	<u>\$ 380,512</u>	<u>\$ 359,450</u>

Other obligations include employee-compensated absences. We present more detailed information about our long-term liabilities in the notes to the financial statements.

### **Economic Factors And Next Year's Budgets And Rates**

Our elected officials and administration considered many factors when setting the Township's 2006 fiscal year budget.

Because the Township's revenue is heavily dependent on State Shared Revenue, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to Townships. The State periodically holds a revenue consensus conference to estimate revenues. Based on the results of the most recent conference, the State estimates funds are sufficient to fund the appropriation.

The Township's budget is very similar to the prior year. Interest rates on the Township's savings accounts should increase slightly, providing slightly higher interest revenues. The Township's taxable value will be higher, increasing the property tax revenues. Expenditures will be very consistent with last year.

### **Contacting The Township's Financial Management**

This financial report is designed to provide the Township's citizens, taxpayers, customers, investors and creditors of the Township of Onondaga with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Township Clerk, P.O. Box 67, Onondaga, Michigan 49264.

# TOWNSHIP OF ONONDAGA

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## STATEMENT OF NET ASSETS

JUNE 30, 2005

	Governmental Activities
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	\$ 501,851
Accounts Receivable	58
Prepaid Expenditures	---
Total Current Assets	<u>501,909</u>
Non-current Assets	
Capital Assets	765,995
Less: Accumulated Depreciation	<u>-385,483</u>
Total Non-current Assets	<u>380,512</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 882,421</b></u>
 <b>LIABILITIES AND NET ASSETS</b>	
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ ---
Accrued Salaries and Expenses	---
Accrued Interest	---
Deferred Revenue	<u>---</u>
Total Current Liabilities	<u>---</u>
Non-current Liabilities	
Bonds Payable	---
Compensated Absences and Severance Pay	<u>---</u>
Total Non-current Liabilities	<u>---</u>
<b>TOTAL LIABILITIES</b>	<u>---</u>
 NET ASSETS	
Invested in Capital Assets, Net of Related Debt Restricted for Debt Service	380,512
Unrestricted	<u>501,909</u>
<b>TOTAL NET ASSETS</b>	<u>882,421</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 882,421</b></u>

See Accompanying Notes to Financial Statements

# STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2005

		<u>Program Revenues</u>		<u>Governmental Activities</u>
		Charges For	Operating	Net (Expense) Revenue and Changes in
	<u>Expenses</u>	<u>Services</u>	<u>Grants</u>	<u>Net Assets</u>
<b>FUNCTIONS/PROGRAMS</b>				
Governmental Activities				
General Government	\$ 137,474	\$ ---	\$ ---	\$ -137,474
Public Safety	88,901	22,794	---	-66,107
Roads	16,928	---	---	-16,928
Community Enrichment	775	---	---	-775
Interest on Long-Term Debt	---	---	---	---
Depreciation (Unallocated)	<u>33,808</u>	<u>---</u>	<u>---</u>	<u>-33,808</u>
Total Governmental Activities	<u>\$ 277,886</u>	<u>\$ 22,794</u>	<u>\$ ---</u>	<u>\$ -255,092</u>
General Revenue				
Taxes				
Property Taxes, Levied for General Operations				\$ 90,422
Property Taxes, Levied for Debt Service				---
State of Michigan Aid, Unrestricted				203,571
Interest Earnings				7,178
Other				<u>12,566</u>
Total General Revenue				<u>313,737</u>
<b>CHANGE IN NET ASSETS</b>				58,645
NET ASSETS - BEGINNING OF YEAR				<u>823,776</u>
<b>NET ASSETS - END OF YEAR</b>				<u><u>\$ 882,421</u></u>

See Accompanying Notes to Financial Statements.

# TOWNSHIP OF ONONDAGA

## BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2005

	General	Other Non-major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and Investments	\$ 501,851	\$ ---	\$ 501,851
Accounts Receivable	---	---	---
Due from Other Governmental Units	---	---	---
Due from Other Funds	58	---	58
Inventories	---	---	---
Prepaid Expenditures	---	---	---
<b>TOTAL ASSETS</b>	<b>\$ 501,909</b>	<b>\$ ---</b>	<b>\$ 501,909</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ ---	\$ ---	\$ ---
Accrued Salaries and Withholdings	---	---	---
Due to Other Funds	---	---	---
Deferred Revenue	---	---	---
<b>TOTAL LIABILITIES</b>	<b>---</b>	<b>---</b>	<b>---</b>
<b>FUND BALANCES</b>			
Reserved for Inventories	---	---	---
Unreserved, Designated	---	---	---
Unreserved and Undesignated	501,909	---	501,909
<b>TOTAL FUND BALANCES</b>	<b>501,909</b>	<b>---</b>	<b>501,909</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 501,909</b>	<b>\$ ---</b>	<b>\$ 501,909</b>
<b>TOTAL GOVERNMENTAL FUND BALANCES</b>			<b>\$ 501,909</b>
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources, and are not reported in the funds:			
Cost of the Capital Assets is			\$ 765,995
Accumulated Depreciation is			-385,483
			380,512
Long-term Liabilities are not due and payable in the current period and are not reported in the fund			
Bonds Payable			---
Compensated absences			---
Accrued interest is not included as a liability in governmental funds			---
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>			<b>\$ 882,421</b>

See Accompanying Notes to Financial Statements.

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**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS**

**YEAR ENDED JUNE 30, 2005**

	General	Other Funds	Totals
<b>REVENUE</b>			
Property Taxes	\$ 90,422	\$ ---	\$ 90,422
State Grants	203,571	---	203,571
Permits and Licenses	22,794	---	22,794
Interest	7,178	---	7,178
Other	12,566	---	12,566
<b>TOTAL REVENUE</b>	<b>336,531</b>	<b>---</b>	<b>336,531</b>
<b>EXPENDITURES</b>			
General Government	137,474	---	137,474
Public Safety	88,901	---	88,901
Public Works	16,928	---	16,928
Recreational and Cultural	775	---	775
Debt Service	---	---	---
Capital Outlay	54,870	---	54,870
<b>TOTAL EXPENDITURES</b>	<b>298,948</b>	<b>---</b>	<b>298,948</b>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<b>37,583</b>	<b>---</b>	<b>37,583</b>
<b>OTHER FINANCING SOURCES &lt;USES&gt;</b>			
Operating Transfers In	---	---	---
Operating Transfers Out	---	---	---
<b>TOTAL OTHER FINANCING SOURCES &lt;USES&gt;</b>	<b>---</b>	<b>---</b>	<b>---</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>37,583</b>	<b>---</b>	<b>37,583</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>464,326</b>	<b>---</b>	<b>464,326</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 501,909</b>	<b>\$ ---</b>	<b>\$ 501,909</b>

See Accompanying Notes to Financial Statements.

# **TOWNSHIP OF ONONDAGA**

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## **RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2005**

**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** **\$ 37,583**

Amounts reported for governmental activities in the statement of activities are different because:

- Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	-33,808	
Capital Outlay	<u>54,870</u>	
		21,062

- Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid ---

- Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) ---

- Uncollected property tax revenue is deferred in the governmental funds, but not in the statement of activities ---

- Compensated absences are included in expenditures in the statement of activities but not in the governmental funds ---

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES** **\$ 58,645**



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## STATEMENT OF NET ASSETS

### FIDUCIARY FUNDS

JUNE 30, 2005

	<u>Sewer Fund</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 990
Accounts Receivable	<u>---</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 990</b></u>
 <b>LIABILITIES</b>	
Due to Other Funds	\$ 58
Due to Other Entities	880
Due to Other Taxing Units	<u>52</u>
<b>TOTAL LIABILITIES</b>	<u><u><b>\$ 990</b></u></u>

See Accompanying Notes to Financial Statements.

## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Township conform to United States generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies.

#### **A. REPORTING ENTITY**

The Township of Onondaga covers an area of approximately 36 square miles located in Ingham County, Michigan. The Township operates under an elected Board of Trustees consisting of five members and provides various services to its residents.

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

1. appoints a voting majority of the organization's board, and has the ability to impose its will on the organization; or
2. there is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based on the above criteria, no additional organizations or entities are included in these financial statements.

#### **B. BASIS OF PRESENTATION**

##### **Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

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Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Government-Wide Statements** - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

**Fund Based Statements** - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

## GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Fiduciary Funds - These funds, used to account for assets held in trust or as an agent for others, include Current Tax Collection Fund and Agency Fund.

## C. BUDGETS AND BUDGETARY ACCOUNTING

The General Fund is under formal budgetary control. Budgets are adopted on the modified accrual basis of accounting. Amendments are by action of the Board.

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

## **NOTES TO FINANCIAL STATEMENTS**

### **C. BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)**

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted at the functional level.

### **D. PROPERTY TAXES**

Real and personal property taxes are assessed as of December 31, and attach as an enforceable lien on property as of December 1 of the subsequent year. Taxes are due and payable as of February 14. The County of Ingham prepares the tax bills for the Township, and the Township collects the taxes prior to return to the County. The property tax revenues in the accompanying financial statements were recognized as those levied during the year.

All unpaid taxes become delinquent after February 28, at which time the uncollected real taxes are returned to Ingham County for collection and to be added to the delinquent tax rolls. The County of Ingham purchases delinquent real property taxes of the Township of Onondaga. The County sells tax notes, the proceeds of which are used to pay the Township for the taxes. This took place in June 2004. These taxes have been recorded as revenue for the current year.

The Township is authorized to assess 1 mill for general operations. Millage rates levied for 2004 were .9302 mills for operations. Total taxable value of real and personal property in the Township was \$70,942,100.

The Township is responsible for the collection of delinquent personal property taxes.

### **E. CASH EQUIVALENTS**

The Township considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

### **F. FINANCIAL INSTRUMENTS**

The Township does not require collateral to support financial instruments subject to credit risk.

### **G. SHORT-TERM INTERFUND RECEIVABLES AND PAYABLES**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

### **H. FUND EQUITY**

Reservations of fund balance represent these portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

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## **I. CAPITAL ASSETS**

Capital assets, which include land, buildings, equipment, vehicles, and infrastructure assets (e.g. streets, bridges, drains) are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value materially extended asset life are not capitalized.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	15-50 years
Vehicles	5-20 years
Other equipment	5-20 years

## **J. LONG-TERM OBLIGATIONS**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

## **K. TOTAL COLUMNS ON COMBINED STATEMENTS**

Total columns on the Combined Statements are captioned (Memo Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with United States generally accepted accounting principles. Neither is such data comparable to a consolidation. Inter-fund eliminations have not been made in the aggregation of this data.

## **L. ESTIMATES**

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS

#### A. LEGAL OR CONTRACTUAL PROVISIONS FOR DEPOSITS AND INVESTMENTS:

The Michigan Political Subdivisions Act No. 20, Public Acts of 1943, as amended by Act No. 217, Public Acts of 1982, states the Township, by resolution, may authorize investment of surplus funds as follows:

1. In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
2. In certificates of deposit, savings accounts, or depository receipts of a bank, which is a member of the Federal Deposit Insurance Corporation; or a savings and loan association, which a member of the Federal Savings and Loan Insurance Corporation; or a credit union, which is insured by the National Credit Union Association; but only if the bank, savings and loan association, or credit union complies with Subsection (2).
3. In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.
4. In United States government or Federal agency obligation repurchase agreements.
5. In bankers' acceptances of United States banks.
6. In mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township is in compliance with State law regarding their cash deposits.

The Township maintains all of its cash deposits at three banks.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Township's cash deposits are as follows:

<u>Deposits</u>	<u>Book Value</u>	<u>Carrying Amounts</u>
Insured (FDIC)	\$ 300,000	\$ 300,000
Uninsured & Uncollateralized	202,841	279,064
Total Deposits	<u>\$ 502,841</u>	<u>\$ 579,064</u>

The differences between the book value and the bank carrying amounts are caused by deposits in transit and outstanding checks.

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### NOTE 3 - ACCUMULATED FUND DEFICITS

There were no accumulated fund deficits at June 30, 2005.

### NOTE 4 - DUE TO/FROM OTHER FUNDS

Due to/due from at June 30, 2005, consisted of the following:

Due To:		Due From:	
General Fund	\$ 7	Tax Collection	\$ 7
General Fund	<u>51</u>	Trust and Agency	<u>51</u>
	<u>\$ 58</u>		<u>\$ 58</u>

### NOTE 5 - CAPITAL ASSETS

Capital asset activity of the Township's Governmental activities was as follows:

	Balance July 1, 2004	Additions	Disposals and Adjustments	Balance June 30, 2005
Assets not being depreciated:				
Land	\$ ---	\$ ---	\$ ---	\$ ---
Capital assets being depreciated:				
Buildings	131,800	40,620	---	172,420
Improvements	27,825	---	---	27,825
Vehicles	429,700	---	---	429,700
Equipment	121,800	14,250	---	136,050
Subtotal	711,125	54,870	---	765,995
Accumulated depreciation:				
Buildings	28,000	3,790	---	31,790
Improvements	5,565	2,783	---	8,348
Vehicles	232,700	17,450	---	250,150
Equipment	85,410	9,785	---	95,195
Subtotal	351,675	33,808	---	385,483
Net capital assets being depreciated	359,450	21,062	---	380,512
Net capital assets	<u>\$ 359,450</u>	<u>\$ 21,062</u>	<u>\$ ---</u>	<u>\$ 380,512</u>

Depreciation expense was not charged to activities as the Township considers its assets to impact multiple activities and allocation is not practical.

## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE 6 - EXPENDITURES IN EXCESS OF BUDGET**

During the year ended June 30, 2005, the Township incurred no expenditures that were in excess of the amounts budgeted.

### **NOTE 7 - RETIREMENT PLAN**

During the year ended June 30, 2005, the Township did not participate in any retirement plan.

### **NOTE 8 - ACCUMULATED SICK AND VACATION PAY**

Amounts accumulated for accrued sick and vacation pay are immaterial and have not been entered in the accounting records.

### **NOTE 9 - RISK MANAGEMENT AND LITIGATION**

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the past several years the Township has obtained coverage from commercial insurance companies and has effectively managed risk through various employee education and prevention programs. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. At June 30, 2005, no claims exist, and no provision has been entered into the accounting records.



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## **REQUIRED SUPPLEMENTAL INFORMATION**

# TOWNSHIP OF ONONDAGA

## BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED JUNE 30, 2005

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	
<b>REVENUE</b>				
Property Taxes	\$ 89,491	\$ 89,491	\$ 90,422	\$ 931
State Shared Revenue	203,873	203,873	203,571	-302
Permits and Licenses	25,000	25,000	22,794	-2,206
Interest	200	200	7,178	6,978
Other	10,303	10,303	12,566	2,263
Transfers In	---	---	---	---
<b>TOTAL REVENUE</b>	<b>328,867</b>	<b>328,867</b>	<b>336,531</b>	<b>7,664</b>
<b>EXPENDITURES</b>				
General Government	166,878	116,878	137,474	29,404
Public Safety	110,315	110,315	88,901	21,414
Public Works	34,000	34,000	16,928	17,072
Recreation and Culture	1,400	1,400	775	625
Debt Service	---	---	---	---
Capital Outlay	94,000	94,000	54,870	39,130
Other Uses - Operating Transfers Out	---	---	---	---
<b>TOTAL EXPENDITURES</b>	<b>406,593</b>	<b>406,593</b>	<b>298,948</b>	<b>107,645</b>
<b>EXCESS OF REVENUE OVER &lt;UNDER&gt; EXPENDITURES AND OTHER USES</b>	<b>-77,726</b>	<b>-77,726</b>	<b>37,583</b>	<b>115,309</b>
<b>BUDGETARY FUND BALANCE - JULY 1, 2004</b>	<b>464,326</b>	<b>464,326</b>	<b>464,326</b>	<b>---</b>
<b>BUDGETARY FUND BALANCE - JUNE 30, 2005</b>	<b>\$ 386,600</b>	<b>\$ 386,600</b>	<b>\$ 501,909</b>	<b>\$ 115,309</b>

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## **OTHER SUPPLEMENTAL INFORMATION**

### **GENERAL FUND**

# TOWNSHIP OF ONONDAGA

## STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2005

	Budget	Actual	Variance Favorable <Unfavorable>
<b>REVENUE</b>			
Taxes	\$ 89,491	\$ 90,422	\$ 931
State Shared Revenue	203,873	203,571	-302
Reimbursements	3,000	1,233	-1,767
Permits and Licenses	25,000	22,794	-2,206
Interest	200	7,178	6,978
Cemetery Lots	1,000	1,970	970
Hall Rental	2,100	2,765	665
Miscellaneous	4,203	6,598	2,395
<b>TOTAL REVENUE</b>	<b>328,867</b>	<b>336,531</b>	<b>7,664</b>
<b>EXPENDITURES</b>			
<b>GENERAL GOVERNMENT</b>			
Township Board	29,350	8,204	21,146
Supervisor	13,728	13,420	308
Elections	5,850	5,315	535
Attorney	5,000	3,595	1,405
Clerk	14,285	14,525	-240
Assessor	15,330	15,892	-562
Auditor	2,000	2,200	-200
Treasurer	16,260	15,833	427
Township Hall	18,450	16,743	1,707
Board of Review	1,975	1,330	645
Cemetery	9,700	6,540	3,160
Liquor Inspector	450	---	450
Miscellaneous	8,000	8,143	-143
Insurance	26,500	25,734	766
	166,878	137,474	29,404
<b>PUBLIC WORKS</b>			
Drains	4,000	116	3,884
Roads	25,000	12,944	12,056
Street Lights	5,000	3,868	1,132
	\$ 34,000	\$ 16,928	\$ 17,072

	Budget	Actual	Variance Favorable <Unfavorable>
<b>EXPENDITURES (CONTINUED)</b>			
PUBLIC SAFETY			
Fire Department	\$ 58,500	\$ 54,703	\$ 3,797
Building Inspector	9,575	7,572	2,003
Electrical Inspector	7,050	5,500	1,550
Mechanical Inspector	8,075	6,148	1,927
Plumbing Inspector	5,850	3,375	2,475
Planning Commission	10,000	3,541	6,459
Zoning	11,265	8,062	3,203
	<u>110,315</u>	<u>88,901</u>	<u>21,414</u>
RECREATION AND CULTURAL			
Parks and Recreation	<u>1,400</u>	<u>775</u>	<u>625</u>
DEBT SERVICE	<u>---</u>	<u>---</u>	<u>---</u>
CAPITAL OUTLAY	<u>94,000</u>	<u>54,870</u>	<u>39,130</u>
<b>TOTAL EXPENDITURES</b>	<b><u>406,593</u></b>	<b><u>298,948</u></b>	<b><u>107,645</u></b>
<b>EXCESS OF REVENUE OVER &lt;UNDER&gt; EXPENDITURES</b>	<b><u>-77,726</u></b>	<b><u>37,583</u></b>	<b><u>115,309</u></b>
<b>OTHER FINANCING SOURCES &lt;USES&gt;</b>			
Operating Transfers In	---	---	---
Operating Transfers <Out>	<u>---</u>	<u>---</u>	<u>---</u>
<b>EXCESS OF REVENUE AND OTHER SOURCES OVER &lt;UNDER&gt; EXPENDITURES AND OTHER USES</b>	<b><u>-77,726</u></b>	<b><u>37,583</u></b>	<b><u>115,309</u></b>
FUND BALANCE - JULY 1, 2004	<u>464,326</u>	<u>464,326</u>	<u>---</u>
<b>FUND BALANCE - JUNE 30, 2005</b>	<b><u>\$ 386,600</u></b>	<b><u>\$ 501,909</u></b>	<b><u>\$ 115,309</u></b>

## **TOWNSHIP OF ONONDAGA**

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### **AGENCY FUNDS**

# STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS

**JUNE 30, 2005**

	Balance 07/01/04	Additions	Deductions	Balance 06/30/05
<b>CURRENT TAX COLLECTION FUND</b>				
<b>ASSETS</b>				
Cash in Bank	\$ 67,341	\$ 2,248,327	\$ 2,315,661	\$ 7
Due from Other Funds	---	---	---	---
<b>TOTAL ASSETS</b>	<b>\$ 67,341</b>	<b>\$ 2,248,327</b>	<b>\$ 2,315,661</b>	<b>\$ 7</b>
<b>LIABILITIES</b>				
Due to Other Funds	\$ 67,341	\$ 83,064	\$ 150,398	\$ 7
Due to Other Taxing Units	---	2,165,263	2,165,263	---
<b>TOTAL LIABILITIES</b>	<b>\$ 67,341</b>	<b>\$ 2,248,327</b>	<b>\$ 2,315,661</b>	<b>\$ 7</b>

## AGENCY FUND

<b>ASSETS</b>				
Cash in Bank	\$ 1,994	\$ 1,820	\$ 2,831	\$ 983
<b>LIABILITIES</b>				
Due to Other Entities	\$ 880	\$ ---	\$ ---	\$ 880
Due to Other Funds	447	266	662	51
Due to Other Taxing Units	667	1,554	2,169	52
<b>TOTAL LIABILITIES</b>	<b>\$ 1,994</b>	<b>\$ 1,820</b>	<b>\$ 2,831</b>	<b>\$ 983</b>

## TOTALS - ALL AGENCY FUNDS

<b>ASSETS</b>				
Cash in Bank	\$ 69,335	\$ 2,250,147	\$ 2,318,492	\$ 990
Due from Other Funds	---	---	---	---
<b>TOTAL ASSETS</b>	<b>\$ 69,335</b>	<b>\$ 2,250,147</b>	<b>\$ 2,318,492</b>	<b>\$ 990</b>
<b>LIABILITIES</b>				
Due to Other Entities	\$ 880	\$ ---	\$ ---	\$ 880
Due to Other Funds	67,788	83,330	151,060	58
Due to Other Taxing Units	667	2,166,817	2,167,432	52
<b>TOTAL LIABILITIES</b>	<b>\$ 69,335</b>	<b>\$ 2,250,147</b>	<b>\$ 2,318,492</b>	<b>\$ 990</b>

3775 Kimmel Road

(517) 937-9333 Phone / 563-2552

Fax

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Township Board  
Township of Onondaga

We have audited the general-purpose financial statements of the Township of Onondaga as of and for the year ended June 30, 2005, and have issued our report thereon dated September 29, 2005. We conducted our audit in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township of Onondaga's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Onondaga's control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



This report is intended for the information of Township Board, management and the State of Michigan. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script that reads "Karl L. Drake".

Karl L. Drake, P.C.  
Certified Public Accountant

September 29, 2005